The Invesco Income Growth Fund has been on our balanced portfolio recommended list for many years. We were fortunate to receive an update from Clayton Zacharias the senior portfolio manager which I felt would be of great interest to each of our valued clients. This funds return in similar fashion to all of our recommended funds had a banner first half of 2021 returning 17.01%. In comparison the balanced benchmark return was 7.04% over the same period.

From an asset-mix perspective, the Fund's greater-than-benchmark weighting to equities benefited relative performance as equities outperformed fixed income over the period. Overall, positive stock selection and sector allocation contributed to outperformance over the period.

Performance drivers

The equity portfolio earned positive returns and outperformed the benchmark. Relative performance benefited from strong stock selection in the communication services and industrials sectors as well as an overweight allocation to financials, which also experienced strong returns over the period. Fund investments in the communication services and industrials sectors that drove these returns included Alphabet Inc., Facebook Inc. and Deere & Co. Strong performance in the financials sector was driven by several Fund investments, including Brookfield Asset Management Inc. and Onex Corp.

The Fund's outperformance was also driven by a lack of exposure to the materials sector, which underperformed over the quarter, as well as its U.S. dollar hedges, which softened the impact of a declining U.S. dollar. The most significant individual contributor to Fund performance over the period was **Brookfield Asset Management Inc. (BAM)**

BAM is a global alternative asset manager with over US$600 billion of assets under management.[1] The company's investments are focused in four areas: real estate, renewable energy, infrastructure and private equity. Shares in BAM increased after the company announced strong first-quarter results, highlighted by positive commentary around its fundraising activities. Brookfield is in the early stages of fundraising for its next round of flagship funds, targeting $100 billion of capital. Management also announced that they are experiencing a "very constructive" fundraising environment.

While all sector holdings outperformed those of the benchmark, the Fund's investments in the consumer staples sector had the smallest outperformance of any other sector. The individual names that contributed least to Fund performance over the period were **Alimentation Couche-Tard Inc**. and **Marriott International Inc.**

Alimentation Couche-Tard is one of the largest convenience store chains in North America and has a significant global footprint that extends across five continents. Couche-Tard surprised investors during the first quarter with the announcement of their proposal to acquire Carrefour, a large France-based grocery store chain. The proposed acquisition was inconsistent with management's past focus on consolidating the global convenience store market and many questioned the strategic merits of the deal. Despite the acquisition being potentially attractive on a financial basis, the market's confidence in management's approach to capital deployment was impacted over the short-term.

Marriott is the largest hotel chain in the world by the number of available rooms.[1] It has 30 brands with over 7,000 properties. Marriott released first-quarter earnings that showed continuing improvements in global occupancy levels (48% in April, up from 45% in March and 36% in February).[1] While activity is moving in a positive direction, the anticipated rebound in travel is not happening as quickly as some market participants were hoping, which may have contributed to a decrease in the stock price. Developments with the SARS-CoV-2 Delta variant may have also weighed on Marriott's shares during recent months.

The fixed-income portfolio declined yet outperformed its benchmark over the period. An overweighting in corporate bonds contributed to support positive relative performance as government bonds lagged over the quarter. The fixed-income portfolio's overweight position in corporate credit reflects the investment team's view that corporate credit offers better relative value when compared to the government sector. The Fund's materially shorter duration versus the index was also beneficial over the period and should mitigate downside risk in an environment of rising interest rates.

Activity

The equity portfolio continues to be most overweight to financials and communications services, and underweight materials and utilities. The Portfolio is benchmark-agnostic with high active share, and its sector weightings are a by-product of the investment team's bottom-up fundamental investment approach.

Dye & Durham Corp. (DND) was added to the Portfolio over the period. DND is a vertical software provider primarily focused on servicing legal and real estate markets. The company's cloud-based platform provides users with access to critical data in a highly accurate, efficient and cost-effective manner. Customer relationships are very sticky, revenue is largely driven by recurring transactions, and the company has meaningful pricing power. DND has built a highly scalable platform that can grow both organically and through targeted strategic acquisitions. The investment team (the "team") believes there is a long runway for further acquisitions in the company's three core markets. In the team's view, management has demonstrated its ability to allocate capital effectively and integrate acquisitions well, giving us confidence in the opportunity for future value creation. The team paid a fair price for the existing business and feels the portfolio is getting the upside potential for free.

Facebook Inc. was added to the Portfolio over the first half of the year. It's a high-quality business that benefits from unprecedented network effects and global scale. Approximately 2.6 billion people utilize one or more of its many applications daily (Facebook Blue, Instagram, WhatsApp and Facebook Messenger), and 10 million companies advertise on its platforms.[1] The core business offers advertisers of any size a unique opportunity to deliver hyper-targeted ads with a high return on investment, capturing nearly 30% of global advertising spend.[1] Facebook has grown its profitability at a high rate for a decade, with room for continued growth as eCommerce penetration increases and consumers spend more time online. Additionally, Facebook has yet to monetize WhatsApp and is in the early stages of building out its Augmented Reality/Virtual Reality (AR/VR) business. While the company faces potential challenges in the areas of antitrust and privacy, the team believes Facebook's current valuation represents a meaningful discount to our estimate of intrinsic value.

Brookfield Property Partners LP was sold following the offer from Brookfield Asset Management Inc. to take the property arm private.

Bank of America Corp. and **Manulife Financial Corp.** were sold to fund more attractive opportunities.

With respect to asset mix, the Fund's allocation was essentially unchanged, with approximately 75% in equities, 24% in fixed income and 1% in cash at period end. In the team's view, the opportunity set in equities is more attractive from a risk-reward perspective than fixed income.

Outlook

Optimism around the recovery of global economic growth driven by the deployment of vaccines and continued extensive government stimulus has fueled markets higher in the first half of 2021, with equity levels in Canada and the U.S. reaching new all-time highs. Despite the team's view that there are some areas of excessive valuation in the market presently, they continue to be comfortable with the Fund's positioning. The Fund is a concentrated portfolio of select quality businesses that – on average – trade at a meaningful discount to the market. In the team's view, portfolio valuations remain quite reasonable and, in some cases, significantly discounted. The team believes the Fund should continue to benefit from likely improvements in the economy as consumer behaviour and businesses return to a more normal state.

Amanda and I are both qualified CERTIFIED FINANCIAL PLANNER® professionals at your service to assist in all areas of comprehensive financial planning including financial goal discovery, cash flow/budget analysis, retirement income planning, tax savings, estate planning, insurance needs analysis, investment planning, education saving planning, special purpose or major purchase planning.

I wish to thank you for your continued confidence and for the opportunity to serve you in all aspects of Financial Planning. As always, I will continue to keep in touch with you but if you have any questions or concerns, that you would like to discuss or review, please do not hesitate to contact either Amanda or I by email or by calling us at 519-894-2661 or toll-free at 1-800-716-5538.

Have a great day!

Respectfully Yours,

Gary

Gary H. Attack, BBA, CFP®, RFP, RRC® | CERTIFIED FINANCIAL PLANNER® professional

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